

North Dakota Lottery

Minutes of the Retail Advisory Board Meeting November 16, 2005

Attendance

A meeting of the Lottery Advisory Board was held on November 16, 2005, from 1:00 - 3:00 p.m. in the Fort Union Room at the State Capital in Bismarck. Representing the Board were Mr. George Gottbreht (Dale's Truck Stop - Dunseith), Ms. Sherri Erickson (Leever's - Grand Forks), Mr. Craig Lemieux (Hornbacher's - Fargo), Mr. Gordy Evenson (Gordy's Grill & Fill - Lisbon), and Ms. Kristi Johnson (Jimmy's BP Amoco - Fargo). Representing the North Dakota Lottery were Mr. Chuck Keller (Director), Ms. Eileen Walsh (Sales and Marketing Specialist), Ms. Sherry Maragos (Customer Service Specialist), Mr. Scott Tarno (Customer Service Specialist), Ms. Danielle Schaefer (Administrative Staff Officer), Ms. Leslie Darfler (Scientific Games International, Inc.), and Ms. Anne Charpentier (Scientific Games International, Inc.).

Welcome

Mr. Keller thanked everybody for making time to attend the meeting and indicated that the meeting would focus on the new proposed administrative rules, especially the retail bonus plan that will be effective January 1, 2006.

Subscription Service

Ms. Schaefer stated that the main goal of the subscription service is to attract those players that leave North Dakota during the winter months and yet desire to play the Lottery's games and enable the Lottery to retain that otherwise lost revenue. Subscriptions will make it easy for these players to continue playing games and also attract players who occasionally forget to buy tickets or who may not always be able to go to a Lottery retailer between draws. Subscriptions will increase sales.

Ms. Schaefer presented an overview on how the subscription service works. Subscriptions began November 1, 2005. The average amount spent per player has been about \$140. Only about 42% of subscription applications submitted to the Lottery have been generated by retailers. About 10% of subscription applications do not contain retailer license numbers and, therefore, the Lottery has been unable to assign a commission to those retailers. The remaining subscription applications were downloaded from the Lottery's website. Ms. Schaefer asked the Board members for suggestions on how the Lottery may encourage retailers to support subscriptions and ensure that their retailer license numbers are recorded on the subscription application brochures to enable the Lottery to reward those retailers with commissions.

Give-a-Gift Certificates

Ms. Walsh indicated that the Lottery will be distributing point-of-sale Christmas Wobblers Snow Globes and Lottery “Lucky Duck” and “Lucky Buck” gift envelopes to all the retailers. Retailers may provide the gift envelopes to players who buy Lottery “Gift Certificates” or tickets as gifts year round.

Cass County Power Play Promotion

Ms. Walsh stated that the Power Play Promotion was limited to Cass County because of the county’s abnormally low Power Play to Powerball sales percentage in relation to the statewide average. The Lottery ranks fourth among all Powerball state lotteries in the Power Play percentage. She indicated that when retailers ask players for the Power Play sale, it is an “up-sale” and an easy thing that can be done to increase sales. Eileen said that the Lottery felt it necessary to focus on Cass County with an emphasis on educating players about the benefit of Power Play.

Power Play Wheel

The Lottery has two 30-inch Power Play wheels that the Lottery’s Customer Service Specialists can use as part of special retailer in-store Lottery promotions to educate and interact with the retailers’ customers. Upon request, the Lottery will bring a Power Play wheel to a retailer for a special promotion and partner with the retailer to provide and award small prizes to customers that play the Power Play wheel or just visit the retailer during the promotion.

New Jackpot Awareness/Winning Number Signs

Ms. Walsh indicated that because the Lottery is launching its new game “2by2” in February 2006, the Lottery needs to replace its present jackpot awareness/winning number signs at the retailers. The new sign which is larger will accommodate the 2by2 game, a fifth game, and winner awareness information. The field technicians of Scientific Games International, Inc. are scheduled to install all the new signs at the 400 retailers by January 31, 2006.

Rulemaking Process

Mr. Keller provided each member of the Board with a copy of the draft amended Lottery administrative rules. Public hearings on the rules are scheduled for Fargo on December 12 and Bismarck on December 13. He said that the purpose of the hearings is to provide the public, retailers, and players an opportunity to express comments, positive and negative, on the proposed amendments or present rules. Mr. Keller stated that the three chapters related to the games - Powerball, Hot Lotto, and Wild Card 2 – were rewritten and condensed, and a seventh chapter related to 2by2 was added. He indicated that several rules, including the rules on retailer bonuses, subscriptions, and

2by2, are emergency rules that are effective on November 8, 2005 or January 1, 2006. Other rules would be effective April 1, 2006.

Relevant Rules and Retailer Bonuses

Mr. Keller cited and explained the application of the most relevant proposed rules, including rules related to retailers' duties, sales commissions and bonuses, ineligible players, sales or gifts of lottery tickets, validation of tickets, subscriptions, and 2by2 game.

In regard to retailer bonuses, Mr. Keller stated that starting January 1, 2006, the Lottery would award retailers a bonus for selling prize-winning tickets that have a prize value of \$5,000 or more. Retailers would receive an extra bonus if a winning Powerball ticket has the "Power Play" option. The bonus would apply to Powerball, Hot Lotto, Wild Card 2, and 2by2.

Mr. Keller provided each member of the Board with a document titled "Retailer Incentives – U.S. Lotteries" that is an overview of the types and amounts of bonuses that other state lotteries provide their retailers as an incentive to sell tickets. He said that the Lottery's bonus structure has been approved by Attorney General Stenehjem and Lottery Advisory Commission, and is comparable to many other state lotteries, including the South Dakota Lottery. Mr. Keller indicated that the bonus will serve as an extra incentive to retailers to promote the sale of tickets and the extra cost of the bonus would be more than offset by the extra profit the Lottery would earn by increased sales, especially Power Play.

2By2 Game

Mr. Keller indicated that the Lottery plans to launch its fourth game "2By2" on February 2, 2006. The Lottery will join the Nebraska and Kansas Lotteries in conducting the game. He said that 2By2 will fit the low end of the Lottery's product mix. Powerball has a minimum jackpot of \$15 million and odds of winning a prize on a \$1 play of 1 in 36; Hot Lotto has a minimum jackpot of \$1 million and odds of winning a prize on a \$1 play of 1 in 16; and Wild Card 2 has a minimum jackpot of \$100,000 and odds of winning a prize on a \$1 play of 1 in 6. 2By2 has a fixed jackpot of \$20,000 and odds of winning a prize on a \$1 play of 1 in 3.6. Mr. Keller said that 2By2 has some unique features, including daily drawings - Monday through Saturday, 2 sets (1 red, 1 white) of 26 balls each, and four prize tiers – \$20,000, \$100, \$3, and free quick-pick ticket. If there are more than five \$20,000 jackpot prizes in one draw, a maximum amount of \$100,000 would be divided equally among all the winning jackpot tickets.

The Lottery plans to deliver the 2by2 point-of-sale items to retailers in January and will conduct a "Buy Five Draws, Get One Free" Promotion during February 2-16, 2006 to promote the new game and educate players about the six draws a week feature. The Lottery will also be doing a media campaign about the game.

Power Play 10X Promotion

Ms. Walsh stated that the Lottery will join all the other Powerball state lotteries to conduct a Power Play 10X Promotion during March 2006. One of the four "5s" on the Power Play wheel will be replaced with a "10." If the number "10" is not hit during March, the Promotion will continue until the number "10" is hit. Players will have an opportunity to multiply their prize winnings by 10, rather than 2 to 5 times. For a \$200,000 prize winning ticket with Power Play, the player would have an opportunity to win up to \$2 million.

Board Feedback

Ms. Johnson suggested that the Lottery provide posters for the retailers' walls or windows. She said that it would give retailers other avenues for promoting the Lottery, especially since many retailers' counters are small and cluttered.

Ms. Johnson stated that now that she is aware of the availability of the Lottery's Power Play wheel, the Lottery should notify all the retailers of the Power Play wheel so the retailers may make it part of their special in-store Lottery promotions.

The members of the Board indicated that they do not promote the Lottery's Give-a-Gift program because there is no retailer commission on selling certificates. The retailer that exchanges Lottery gift certificates for tickets receives the commission. The members also felt that they needed to focus their sales efforts on promoting their own gift programs.

Mr. Lemieux asked the Lottery to explain its policy on issuing credit adjustments to retailers related to human and machine (terminal) errors in printing tickets.

Mr. Gottbreht asked the Lottery to frequently provide the retailers with a list of retailers, ranked by sales, according to their geographic location in the state.

Jackpot Awareness/Call-to-Action Sign

Mr. Keller stated that the Lottery is still interested in providing an outside facing Jackpot Awareness/Call-to-Action sign for the 400 retailers, but pricing and time are issues that need to be addressed.

The next Board meeting will be held in the first quarter of 2006.